



DEFENSE BUSINESS BOARD

Report to the Secretary of Defense

Task Group on an Outreach Plan to Improve Communications between the Department of Defense and the Defense Industrial Base

Report FY09-7

- **Recommendations to improve communications between the Office of the Under Secretary of Defense Acquisition, Technology, and Logistics USD (AT&L) and its manufacturing and service suppliers**

July 2009

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An Outreach Plan to Improve Communications between the Department of Defense and the Defense Industrial Base

TASK

The Deputy Secretary of Defense tasked the Defense Business Board (DBB) to form a task group to evaluate and make recommendations to the Department of Defense (DoD) regarding actions that could improve the communications between the Department and its core industrial base. Specifically, the Task Group was asked to provide the Under Secretary of Defense, Acquisition Technology and Logistics (USD (AT&L)) with a 24-month outreach plan to serve as a “first meeting primer” for him and his principal staff to engage the industrial base. This plan should promote frequent and transparent communications between the industrial base and the Department to inform and align near-term and long-term investment decisions. The plan should identify (1) people/groups to meet, to include acquisition, requirements, and resource setting entities; (2) best timing for such meetings; and (3) key agenda items. A copy of the official Terms of Reference (TOR) outlining the scope and deliverables for the Task Group can be found at **Appendix A**.

The Task Group was co-chaired by Mr. Denis Bovin and Admiral Edmund Giambastiani, USN (ret). Other Task Group members included: Philip Odeen, Mark Ronald, and William Phillips. The Task Group sponsor was the Honorable Ashton B. Carter, Under Secretary of Defense, Acquisition, Technology, and Logistics (USD(AT&L)). The Task Group Executive Secretary was Captain Michael Bohn, USN.

ASSUMPTIONS

As initially stated in the Defense Business Board’s report “Task Group on a Strategic Relationship Model between the Department of Defense and the Industrial Base” dated July 2008, the Task Group assumed the Department could realize the following specific benefits by taking steps to improve its communications with industry:

- Improved costs, more realistic and achievable schedules, and enhanced technical performance on programs.

- Improved understanding and effectiveness starting at the requirements setting process and continuing through the entire acquisition life-cycle.
- Increased ability to quickly access innovation and advanced technology.
- Better aligned industry research and development and capital investments with the Department's future needs.

PROCESS

In order to assess the current communications situation, the Task Group chose to seek input by interviewing personnel from companies and organizations within the following categories: large, medium, and small companies within the existing defense industrial base; service provider companies; foreign companies doing significant business with DoD; small high tech innovation companies; small business set-aside companies servicing DoD either directly or indirectly; federally funded research and development center (FFRDC) organizations; industry organizations; and DoD stakeholders. The Task Group developed interview questions to guide their discussions with the chief executives and leadership of these companies and organizations and, to encourage candid comments and insights, the Task Group promised anonymity to interviewees. In addition, former studies (particularly Defense Business Board Report FY08-3 "A Strategic Relationship Model between the Department of Defense and the Industrial Base") were reviewed to inform the deliberations.

The Task Group presented their findings and recommendations to the full Board on July 16, 2009 (**see Appendix B**).

FINDINGS

The Task Group discovered recurring themes and comments from the leadership of companies and organizations interviewed. Specific comments included:

- Communications are ad hoc, limited, and infrequent. Open, candid exchanges are rare.

- Information, when provided by DoD, often appears inconsistent and unclear.
- Industry widely feels under siege and believes it is unfairly criticized for issues not under its control.
- Risk aversion is pervasive throughout DoD and the problem is exacerbated at intermediate and lower levels (“Iron Middle Management” problem).
- DoD is perceived as far more interested in process than outcomes.
- There is no mutually understood view of the desired customer/supplier relationship including strategies, objectives, requirements, and priorities.
- There is no mutual feedback mechanism to ensure alignment.
- Poor communications negatively impact government, industry, and FFRDCs and result in the following outcomes:
 - DoD and industry investment decisions are uncoordinated and likely misaligned.
 - Poor exchanges of technical/cost data lead to poorly defined requirements and flawed request for proposals.
 - DoD requirements development fails to benefit from innovative ideas/technology from small companies and non-traditional suppliers.
 - Government poorly understands industry dynamics, business issues, and the implications of its decisions on the industrial base.

Due to this current situation of poor communications, significant improvements in communications were seen as critical by all suppliers. At a minimum, they felt the following are required:

- Government guidance on strategy, policies, and priorities for needed solutions.
- Regular inputs to government on industry business issues and innovative ideas.
- An opportunity to provide input to the requirements process (costs, technical information, and schedule challenges) with the goal to support realistic risk assessments.

Industry at all levels has a strong desire and willingness to significantly enhance its dialogue with DoD through venues such as senior level discussions regarding strategic direction, likely budgets, future needs, and priorities in order to enhance mutual dialogue. Other forums desired included technical exchanges during the requirements process to provide critical input on new technology, technical risks, and likely cost/schedule tradeoffs. Also, smaller companies seek the means to provide innovative ideas and technology which they believe the big primes resist.

Stakeholders perceived that previous communication models were more robust and effective because they included frequent, frank, open, and two-way conversations. In addition, Secretary of Defense (SECDEF), Deputy Secretary of Defense (DEPSECDEF), and USD(AT&L) were all involved, as were other members of DoD senior leadership.

RECOMMENDATIONS

The recommendations provide suggested solutions taking into account the findings. These recommendations include: 1) developing and implementing a detailed Industry Strategic Communications Plan; 2) including specific requirements and deliverables in the Plan as delineated in this report; 3) developing and supporting a practical, flexible means for small technology companies and non-traditional suppliers to introduce high potential new products and technologies; 4) establishing a regularized report on the financial health of the defense industrial base and its individual companies; 5) briefing the SECDEF/DEPSECDEF/Service Secretaries/DoD General Counsel on the Strategic Communications Plan and ensuring their full support; and 6) working with the DoD and Military

Departments' General Counsels to ensure and facilitate robust communications.

1. USD(AT&L) should develop and implement an Industry Strategic Communications Plan to achieve the following goals:

- Encourage open, inclusive, and constructive discussions with a wide range of suppliers based on broad guidelines, not rigid rules.
- Create an effective vehicle for DoD to communicate strategic priorities, budget outlook, capabilities needed, trade-offs on programs, policies on competition and consolidation, and the role of international suppliers.
- Better align program management performance with expectations of costs, schedules, and capabilities.
- Better coordinate requirements with industry capabilities, investment priorities, and capital availability.

2. The Industry Strategic Communications Plan should include:

- Twice a year formal meetings with a Senior Leadership Council comprised of the CEOs of the major five to ten providers of Acquisition Category-1 (ACAT-1) systems and platforms and two to five representatives of Tier II and Tier III suppliers (possibly nominated by industry associations for each meeting). For these meetings:
 - USD(AT&L) should chair, DEPSECDEF should attend at least the beginning and end of the meeting, and SECDEF should make a brief appearance.
 - Consider including Director, Defense Research and Engineering (DDR&E) and Vice Chairman, Joint Chiefs of Staff as well as USD(Comptroller) and Service Secretaries/Service Acquisition Executives (once up and running).

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- The agenda should be prepared and distributed in advance. The agenda should be comprised of topics DoD wishes to communicate, as well as topics industry wants to discuss. Adhering to the agenda is important.
 - Deputy Under Secretary of Defense (DUSD) Industrial Policy (IP) should be the Executive Agent under the direction of USD(AT&L) for preparing, coordinating, and prioritizing the agenda and the industry submitted topics.
 - Meetings should occur around major DoD acquisition “events” (budget submission, QDR, etc.) and be limited to less than half a day in duration.
 - Whenever appropriate, a synopsis of the meeting, including its agenda and handouts, should be posted in a timely fashion following the meeting to the DoD web site to ensure wide dissemination.
- Other discussions, held two to four times per year, with smaller groups (five to ten individuals) of relevant senior industry leaders focusing on specific topics of importance to DoD.
 - Topics could be program or policy focused.
 - Meetings could be held coincident with a dinner.
 - Commitment by USD(AT&L) to deliver formal remarks at selected key industry association gatherings throughout the year and to encourage DoD participation in association symposiums and conferences.
 - A mechanism and a point of contact for USD(AT&L) to encourage and coordinate meetings held between relevant suppliers and the Service Secretaries (or Service Acquisition Executives) and DDR&E to discuss Service specific or Research Development Test & Evaluation and Defense Advanced Research Projects Agency requirements and programs.

- A clear statement that USD(AT&L) is prepared to meet with individual CEOs of ACAT-1 suppliers as program or acquisition related issues require.
 - Periodic in-depth reviews of key programs with both government and prime contractors to assess the status of cost, schedule, and technical readiness would be valuable.
3. USD(AT&L) should develop and support within OSD and the Services a practical, flexible means for small technology companies and non-traditional suppliers to introduce and discuss high potential new products and technologies.
 4. USD(AT&L) should task DUSD(IP) to provide him with a twice-a-year report on the financial health of the defense industrial base and its individual companies. Information for this report can be easily obtained from public filings and financial industry reports and experts. This information should prove helpful to USD(AT&L) in understanding the operating environment for his suppliers and the pressures and obligations on the suppliers' CEOs.
 5. USD(AT&L) should brief the SECDEF/DEPSECDEF/Service Secretaries/DoD General Counsel on his Strategic Communications Plan and ensure their full support.
 6. USD(AT&L) should work with the DoD and Military Departments' General Counsels to ensure and facilitate robust communications. Guidance should clearly outline the definition of "competition sensitive" information. Clarity is important to avoid unnecessarily constraining the exchange of information.

CONCLUSION

The Board advises the Secretary of Defense, Deputy Secretary of Defense, and USD (AT&L) to implement the report recommendations in order to significantly enhance Department and industry communications.

The Department's enhanced communication with industry is critical to achieving a better synchronization of costs, schedules, and technical

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performance on programs beginning with the requirements setting process and enduring through the entire acquisition life-cycle. An ongoing robust dialogue will help the Department access innovation and advanced technology more quickly and better align industry research and development and capital investments with the Department's future needs.

Respectfully submitted,



Mr. Denis Bovin
Task Group Co-Chair



Admiral Ed Giambastiani
Task Group Co-Chair

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APPENDIX A

TERMS OF REFERENCE

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DEFENSE
BUSINESS
BOARD

DEFENSE BUSINESS BOARD
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155

8 June 2009

MEMORANDUM FOR DENIS BOVIN (Co-Chair)

ED GIAMBASTIANI, DEFENSE SCIENCE BOARD (Co-Chair)
PHIL ODEEN
MARK RONALD
BILL PHILLIPS

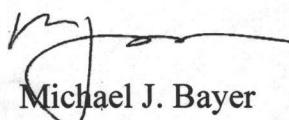
SUBJECT: Terms of Reference - DBB Task Group on "An Outreach Plan to Improve Communications with the Defense Industrial Base"

Dr. Ash Carter, the Under Secretary of Defense for Acquisition, Technology, and Logistics, has requested our assistance to develop a 24-month outreach plan to serve as a "first meeting primer" for him and his principal staff to engage the industrial base. This plan should promote frequent and transparent communications between the industrial base and the Department to inform and align near and long term investment decisions.

Your plan should address: (1) people/groups to meet, to include acquisition, requirements, and resource setting entities; (2) best timing for such meetings; and (3) key agenda items (e.g., surge requirements, R&D investments, emerging technology requirements, capital investments, etc). In the plan, please ensure there are adequate safeguards to avoid disclosure of competition sensitive information as required in legislation such as the Competition in Contracting Act.

Your extensive personal management experience and insights into both the Department and industry along with select interviews with stakeholders should be sufficient to accomplish your task. Your group should plan to present draft recommendations during the July 2009 quarterly meeting.

Your Task Group will operate in accordance with the provisions of P.L. 92-463, the "Federal Advisory Committee Act," and DoD Directive 5105.4, the "the DoD Federal Advisory Committee Management Program." It is not anticipated that this Task Group will enter into any "particular matters" within the meaning of Section 208 of Title 18, U.S. Code, nor will it cause any member to be placed in the position of acting as a procurement official.



Michael J. Bayer
Chairman



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APPENDIX B

**FINDINGS AND RECOMMENDATIONS PRESENTED
TO THE FULL BOARD ON JULY 16, 2009**

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An Outreach Plan for Improving Communications between the Department of Defense and the Defense Industrial Base

Task Group

July 16, 2009

Task Group Overview

Terms of Reference

Provide the Under Secretary of Defense, Acquisition, Technology, and Logistics (USD(AT&L)) with a 24-month outreach plan to serve as a “first meeting primer” for him and his principal staff. This plan should promulgate frequent and transparent communications between DOD and the industrial base in order to inform and align near and long term investment decisions.

Deliverables

The plan should identify: people/groups to meet; best timing for such meetings; and key agenda items.

Task Group

Mr. Denis Bovin (Co-Chair)

ADM Ed Giambastiani (Co-Chair) - Defense Science Board

Mr. Phil Odeen

Mr. Bill Phillips

Mr. Mark Ronald

Military Assistant

Captain Michael Bohn, USN



Process

- Input was sought by interviewing senior leaders from:
 - Large, medium, and small companies within the existing defense industrial base
 - Service provider companies
 - Foreign companies doing significant business with DOD
 - Small high tech innovation companies
 - Small business set aside companies servicing DOD either directly or indirectly
 - Federally funded research and development center (FFRDC) organizations
 - Industry organizations
 - DoD stakeholders
- Former studies (particularly Defense Business Board Report FY08-3 “A Strategic Relationship Model between the Department of Defense and the Industrial Base”) were reviewed to inform our deliberations.



Findings

1. Recurring themes/comments from the interviews

- Communications are ad hoc, limited, and infrequent. Open, candid exchanges are rare
- Information when provided by DOD often appears inconsistent and unclear
- Industry widely feels under siege and believes it is unfairly criticized for issues not under its control
- Risk aversion is pervasive throughout DOD and the problem is exacerbated at intermediate and lower levels (“Iron Middle Management” problem)
- DOD is perceived as far more interested in process than outcomes
- There is no mutually understood view of the desired customer/supplier relationship including strategies, objectives, requirements, and priorities
- There is no mutual feedback mechanism to ensure alignment

2. Poor communications negatively impact government, industry, and FFRDCs

- DOD and industry investment decisions are uncoordinated and likely misaligned
- Poor exchanges of technical /cost data lead to poorly defined requirements and flawed request for proposals
- DOD requirements development fails to benefit from innovative ideas/technology from small companies and non-traditional suppliers
- Government poorly understands industry dynamics, business issues, and the implications of its decisions on the industrial base



Findings

3. Significant improvements in communications were seen as critical by all suppliers
 - Government guidance on strategy, policies, and priorities for needed solutions
 - Regular inputs to government on industry business issues and innovative ideas
 - An opportunity to provide input to requirements process (costs, technical information, and schedule challenges). Goal is to support realistic risk assessments
4. Industry at all levels has a strong desire and willingness to significantly enhance its dialogue with DOD
 - Senior level discussions regarding strategic direction, likely budgets, future needs, and priorities
 - Technical exchanges during the requirements process to provide critical input on new technology, technical risks, and likely cost/schedule tradeoffs
 - Smaller companies seek the means to provide innovative ideas and technology which they believe the big primes resist
5. Previous communication models were perceived as more robust and effective
 - Conversations were frequent, frank, open, and two way
 - SECDEF/DEPSECDEF/USD(AT&L) were all involved, as were other members of DOD senior leadership



Recommendations

1. USD(AT&L) should develop and implement an Industry Strategic Communications Plan to strengthen communications.
 - Goals:
 - To encourage open, inclusive, and constructive discussions with a wide range of suppliers based on broad guidelines, not rigid rules
 - To create an effective vehicle for DOD to communicate strategic priorities, budget outlook, capabilities needed, trade-offs on programs, policies on competition and consolidation, and the role of international suppliers
 - To better align program management performance with expectations of costs, schedules, and capabilities
 - To better coordinate requirements with industry capabilities, investment priorities, and capital availability



Recommendations

2. The Industry Strategic Communications Plan should include:
 - A. Twice a year formal meetings with a Senior Leadership Council comprised of the CEOs of the major 5-10 providers of ACAT-1* systems and platforms and 2-5 representatives of Tier II and Tier III suppliers (possibly nominated by industry associations for each meeting)
 - USD(AT&L) should chair, DEPSECDEF should attend at least the beginning and end of the meeting, and SECDEF should make a brief appearance
 - Consider including DDR&E and VCJCS as well as USD(Comptroller) and Service Secretaries/Service Acquisition Executives (once up and running)
 - Agenda should be prepared and distributed in advance. Agenda should be comprised of topics DOD wishes to communicate, as well as topics industry wants to discuss. Adhering to the agenda is important
 - DUSD(IP) should be the executive agent under the direction of USD(AT&L) for preparing, coordinating, and prioritizing the agenda and the industry submitted topics
 - Meetings should occur around major DOD acquisition “events” (budget submission, QDR, etc.) and be limited to less than half a day in duration
 - Whenever appropriate, a synopsis of the meeting, including its agenda and handouts, should be posted in a timely fashion following the meeting to the DOD web site to ensure wide dissemination

* ACAT means Acquisition Category for Major Defense Acquisition Programs (MDAP). An ACAT-1 is a MDAP estimated by USD(AT&L) to require an eventual total expenditure for RDT&E of more than \$365M in FY 2000 constant dollars or, for procurement, of more than \$2.190B in FY 2000 constant dollars



Recommendations

- B. Other discussions, held 2 to 4 times per year, with smaller groups (5-10 individuals) of relevant senior industry leaders focusing on specific topics of importance to DOD
 - Topics could be program or policy focused
 - Meetings could be held coincident with a dinner
- C. Commitment by USD(AT&L) to deliver formal remarks at selected key industry association gatherings throughout the year and to encourage DOD and Services requirements generation and acquisition personnel participation in association symposiums and conferences
- D. USD(AT&L) should establish a mechanism and a point of contact to encourage and coordinate meetings held between relevant suppliers and the Service Secretaries (or Service Acquisition Executives) and DDR&E to discuss Service specific or RDT&E and DARPA requirements and programs
- E. A clear statement that USD(AT&L) is prepared to meet with individual CEOs of ACAT-1 and major service suppliers as program or acquisition related issues require
 - Periodic in-depth reviews of key programs with both government and prime systems and service contractors to assess the status of cost, schedule, and technical readiness would be valuable



Recommendations

3. USD(AT&L) should develop and support within OSD and the Services a practical, flexible means for small technology companies and non-traditional suppliers to introduce and discuss high potential new products and technologies.
4. USD(AT&L) should task DUSD(IP) with providing him with a twice a year report on the financial health of the defense industrial base and its individual companies. Information for this report can be easily obtained from public filings and financial industry reports and experts. This information should prove helpful to USD(AT&L) in understanding the operating environment for his suppliers and the pressures and obligations on the supplier's CEOs.
5. USD(AT&L) should brief the SECDEF / DEPSECDEF / Service Secretaries / DOD General Counsel on his Strategic Communications Plans and ensure their full support.
6. USD(AT&L) should work with the DOD and Military Departments' General Counsels to ensure and facilitate robust communications.
 - General Counsel guidance should outline clearly the definition of "competition sensitive" information. Clarity is important to avoid unnecessarily constraining the exchange of information



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Questions?

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